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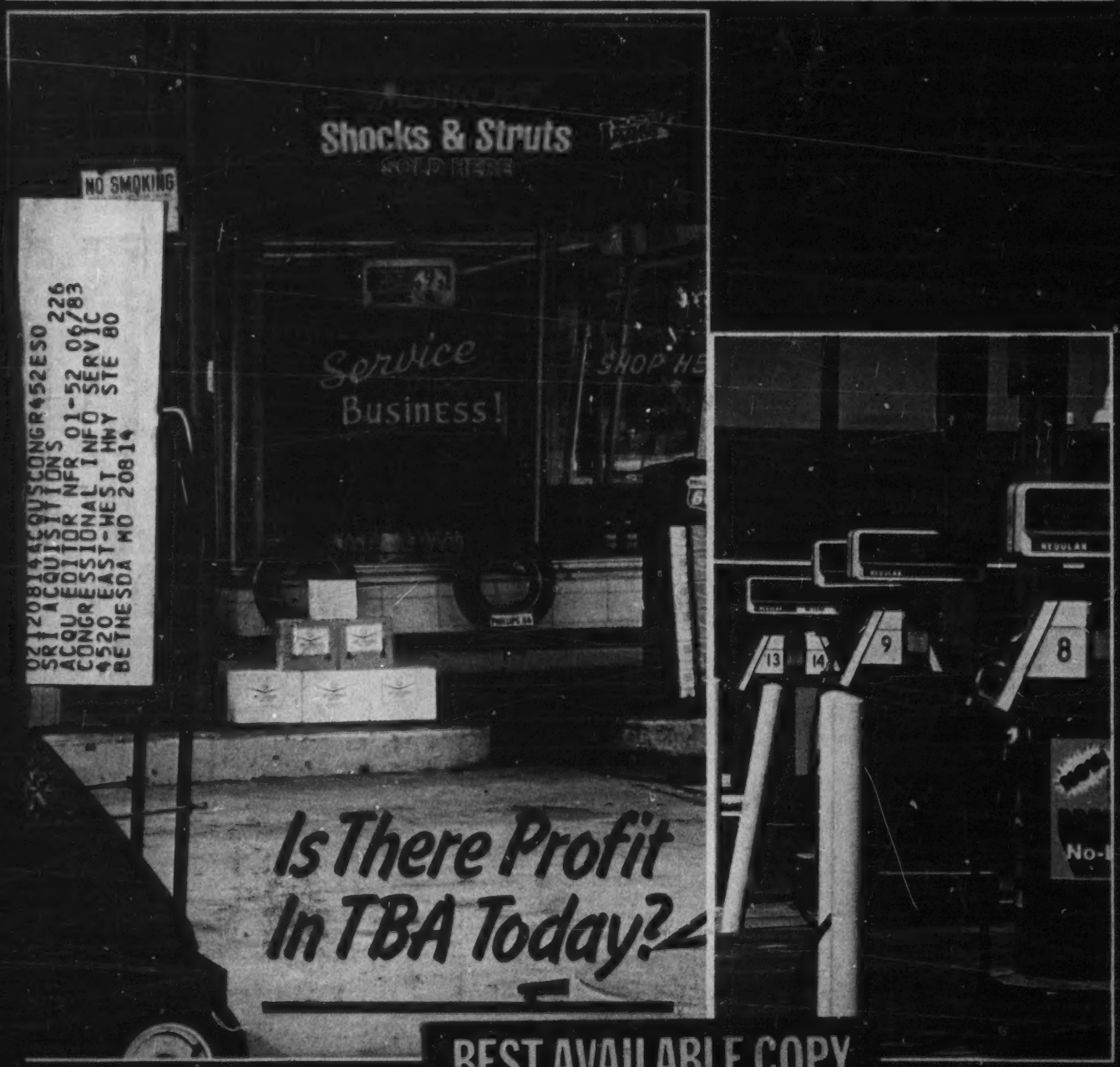
Will Shell Bid Force New Credit Card Thinking?

Why Distributors Are Talking Up Divorcement

Two Service Firms & Their Marketing Solutions

NPN
National Petroleum News
A PUBLICATION FOR MARKETING MANAGEMENT • OPERATIONS • FUEL OIL • TBA AFTERMARKET



Is There Profit In TBA Today?

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NATIONAL PETROLEUM NEWS

NOVEMBER 1982 VOL. 74 NO. 11

20 Regional News

20 **West Coast**
Pacific crude and Tosco's refinery may make Koch's 'Xpress' a factor

21 **South**
Battle-torn jobbers, tax-starved states reconsider alcohol tax breaks

22 **East Coast**
Low stocks, cold weather forecasts raise heating oil supply questions

24 **Midwest**
Michigan jobbers formally oppose major credit card surcharge policies

25 **Rockies**
Colorado jobbers may seek state divorcement if national movement stalls

27 General News

27 Shell's 'free card' bid for 1-million customers may spark bloodbath and new competitor policies
28 'MultiCard': Amoco's newest pitch for brand loyalty
29 Government considers creation of 'strategic alcohol fuel reserve'
30 Few distributors show interest in DOE/Amoco refund allocation
30 New EPA gasoline lead content rules benefit small refiners, irk majors
32 Texas marketers offer olive branch to suppliers over marketing practices
33 FTC tells marketing groups it will not investigate the oil market
36 C-store convention told that oil companies are no threat to store chains
37 Court rules suppliers may favor jobbers over commission dealers on price
37 NPRA report: Sales of oil and greases drop in 1981
37 Winter octanes show little change in 1981-82
38 IPAA reports further growth in wholesale employment in 1981
38 Gulf Oil begins retailing kerosine in East Coast markets
38 NOJC handbook supplies tips on marketplace survival

42 Features

42 **Cover Report**
Is there profit in TBA today?
- Service station profile in $54-billion aftermarket
- Conoco marketer doing well since the company's TBA pullout

47 **Management**
Computer demographics firm offers 'tool' for managing distant operations

50 **Convenience Stores**
Pep Services provides C-store support for major companies and jobbers

52 **Fuel Oil**
Commentary: Oil heat must learn all over to promote and protect itself

54 **Operations & Equipment**
Automated systems dominate at the Petroleum Equipment Institute show

61 **Legal—Sam Borenkind**
Gasoline jobbers should consider merging

62 **Tax—Irving Blackman**
New rules can speed bad debt deductions

Departments

63 About Oil People
9 Ahead of the News
11 Catching Up
66 Classified
41 Coming Meetings
10 Late News
16 Letters & Comment
5 Looking Things Over
54 O&E Briefs
58 TBA Briefs
65 The Way It Was
12 Trends & Marketplace

Any oil marketer gyrating in today's business climate knows he has to diversify his sources of revenue. Jobbers recently have explored convenience stores, real estate, insurance brokerages and more. Of all things, some jobbers are rethinking a known quantity . . . TBA. Page 42.

Cover photos by Thomas Olson.

A battle royal over the credit card issue—a slugfest that could affect all gasoline marketers—may be touched off by Shell Oil's recent decision to continue a free card program. Other companies may be forced to rethink their solutions. Page 27.

The nation's gas and electric utilities, with perhaps more abundant and cheaper energy supplies than ever, are promising a bolder assault on fuel oil's share of the space heating market. And, more than ever, oil marketers need a solid promotion program. Page 52.

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• TRENDS

The competitive price allowance (CPA)—that costly monster of the past which supposedly died with the oil embargo of the early 1970s—reportedly is playing a large role in helping Arco (Atlantic Richfield) continue its impressive gallonage gains with its low-price, no-credit-card marketing policy [NPN—Sept.'82, p63].

This is especially true on the West Coast, say marketers in that region, as they brace for an anticipated slowdown between Arco and Shell [see page 27].

Sources who have been observing dealer tankwagon (DTW) pricing trends since Arco dropped its card last April say they believe the company has switched from a strategy of trying to keep its DTW postings below competition to one of simply giving its dealers CPAs and rent rebates.

It is noted that in May, right after Arco's move, it was posting a DTW price of 92.2¢ for leaded regular in the region. This was 3.3¢ below its nearest competitor at the time, Exxon, and 3.8¢ below Shell.

By Sept. 24, however, Arco was posting 99.8¢ as its official DTW price in California. Exxon, by then, was actually 2.3¢ below Arco. Shell was posting $1.010 or 1.2¢ above Arco.

Some observers say they are convinced that Arco is still keeping its company-supplied dealers at least 3¢ gal. below other major competitors, however, through CPAs and rent allowances or rebates. They believe there are instances where Arco raises or lowers its CPAs to correspond with increases or decreases in its DTW postings.

One source believes Arco tries to provide a 5¢ or 6¢ gal. margin for its dealers. If market conditions won't allow this much, in go the CPAs and rent allowances. He estimates the total allowance often ranges from 5.3¢ to 10¢ gal.

The same source says it is his understanding that an Arco sales representative will survey competition around one of the company's stations, choosing a major with a credit card to "key" on. He then encourages the dealer to drop his price below this key, while guaranteeing a 5¢ to 6¢ margin.

This policy, competitive sources believe, is in effect in regions other than the West Coast as well. One unconfirmed report was out recently of Arco dealers in the Chicago area selling product in truckload quantities to other dealers. It was claimed they were able to do this because of a 6.8¢-gal. CPA.

Arco officials haven't denied that CPAs play a part in their pricing strategy although George Babikian, senior marketing vice president, has declined to reveal specific details.

Whatever Arco's specific pricing strategy, it seems to have little trouble in getting its dealers to price at what it considers competitive levels. In early September, according to one analysis, more than 83% of Arco dealers in the Los Angeles area were retailing leaded regular at prices below their DTW postings. The same study showed 68.1% retailing unleaded regular below DTW.

Meanwhile, tax figures from various states confirm the whopping overall sales increases Arco reported earlier. The company had said that through July, its total sales were up 15% from a year earlier and its individual lessee stations were showing an average 50% gain.

According to state tax figures, Arco sales increased as much as 81% in Massachusetts from June 1981 to June 1982. They reportedly were up 72% in New Jersey; 69% in Maryland; 53% in California; 46% in Oregon; 44% in Washington state; 39% in Nevada, and 27% in Delaware.

* * * * *

Arco jobbers who feel they've been wronged by the company's apparent favoritism toward its dealers may have a national precedent working in their favor. A lawsuit filed by Arco jobbers under California law, which was successful in the first round and was being appealed by Arco [see page 10], has national implications, say the jobbers' attorneys.

Arco's recent changes in jobber financial terms were enjoined by a California Superior Court judge on the issue of good-cause termination of a franchise, according to lawyers in the case—a notion that extends to the Petroleum Marketing Practices Act (PMPA). In ruling that Arco's shift in marketing practices was intended to drive jobbers out of business, the judge in effect concluded that the actions result in illegal termination of the franchise. This key principle would extend the precedent to other states vis-à-vis PMPA.

The company's new financial terms to jobbers and other changes in the Arco distribution agreement were breaches of "good faith and fair dealing" and were "unfair business practices" under the law, according to David Laufer, lead attorney for the California Arco jobbers. Adds Kenneth P. Roberts, Laufer's associate: "The ruling that in fact Arco is trying to put these people out of business will have nationwide impact."

—Marvin Reid and Mark Emond

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

AUGUST	Gasoline (All types)	Leaded Regular	Unleaded Regular	Leaded Premium
U.S. City Avg.	$1.310	$1.254	$1.323	$1.458
Regions:				
Northeast	1.308	1.251	1.311	NA
North Central	1.308	1.264	1.331	1.368
South	1.285	1.226	1.297	NA
West	1.349	1.280	1.362	1.469

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	10/1/82	10/2/81
Gasoline (total)	236,971	239,149
Gasoline (unleaded*)	98,912	93,084
Kerosine **	44,309	50,019
Distillates	163,243	210,587
Residual	58,995	73,331

**Included in gasoline total.*
***Includes jet fuel.*
Source: American Petroleum Institute.

No Law Against Jobbers Getting a Better Price

Does an integrated oil company have an obligation to commission dealers that bars it from giving a better deal to a jobber? The U.S. Eighth Circuit Court of Appeals says no, at least not under federal law or Missouri state law.

The opinion came in a case involving several Missouri commission dealers franchised by Texas-based Champlin Petroleum Co., who sued the company for breach of fiduciary obligations when Champlin began supplying Empire Oil Co., a Missouri jobber, at a contract price below that charged to the dealers.

The dealers had argued that Champlin was obligated to give them its best possible price for gasoline, but the appeals court said the franchise agreement between the dealers and Champlin did not establish that obligation and "there is no language [in a state or federal] statute which operates to make a franchise relationship a fiduciary one."

The appeals court ruling overturned the verdict of a jury which had decided the case in the dealers' favor. The jury verdict would have awarded the dealers a total of $281,000 *(82-1002, CA 8,8/6/82).*

NPRA Report: Lube Sales Drop in 1981

U.S. sales of lubricating oils and greases declined 2.8% in 1981, according to the National Petroleum Refiners Assn.'s (NPRA) fifth annual survey.

The 1981 and 1980 totals were 2,223-million gal. vs. 2,286-million gal.

Automotive lubes took the worst beating. At 1,224-million gal. in 1981, sales were 3.2% below the preceding year's total of 1,265-million gal.

Engine oils were off only slightly while automatic transmission fluids skidded 3% to 125.7-million gal. Engine oils represented the lion's share of the total—974.4-million gal.

Sales of industrial lubes amounted to 937.2-million gal. in 1981 vs. 958.8-million gal. in 1980, a decline of 2.8%.

In the by-products area, the NPRA survey showed that total sales of aromatic oils were up 3% to 107.7-million gal., while those of waxes were down 5% to 205-million gal.

Winter Octanes Show Little Change

Gasoline octane numbers showed relatively no change in the winter of 1981-82 compared to the same periods a year ago and the summer of 1981, according to the Department of Energy's Technology Center in Bartlesville, Okla.

The latest semi-annual report, published in July but not distributed until September, dropped "premium" as a grade indicator in the leaded category and substituted instead two separate classifications: above 93.0 octane and below 93.0 octane.

Highlights of the report are in the table below.

	Unleaded (*)		Leaded (*)	
	Below 90.0	Above 90.0	Below 93.0	Above 93.0
Winter '81-'82	87.4	91.7	88.9	93.0(a)
Summer '81	87.4	91.3	89.0	NA
Winter '80-'81	87.6	91.4	89.1	93.3
Summer '80	87.8	91.6	88.9	92.8(b)

(*) All numbers are R + M ÷ 2;
(a) Data for one sample; (b) As reported by summary even though the number is below 93.0.

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New York, Bensonhurst (B&T)	48m/Bbls.
New York, Buffalo (B, P&T)	427m/Bbls.
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New York, Rochester (B, P&T)	187m/Bbls.
New York, Syracuse (P&T)	315m/Bbls.
New York, Waterloo (B, P&T)	88m/Bbls.
Ohio, Cleveland (B, P&T)	435m/Bbls.
Ohio, Columbus (P&T)	100m/Bbls.
Ohio, Lima (P&T)	97m/Bbls.
R.I., Tiverton (B&T) Tanker	430m/Bbls.
Virginia, West Point (B&T)	4m/Bbls.
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BARGE—(B) PIPELINE—(P) TRUCK—(T)

Is There Profit In TBA Today?

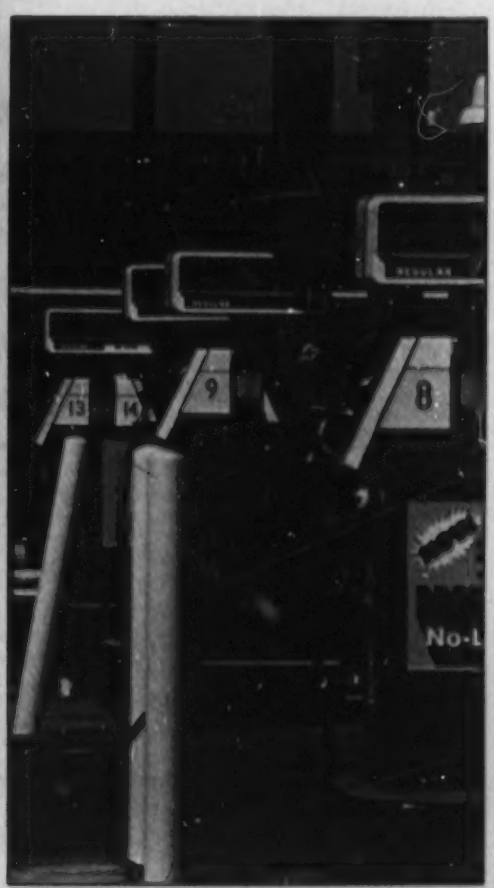
By Thomas Oison
With Staff Reports

Any oil marketer gyrating in today's business climate knows he has to diversify his sources of revenue. Jobbers recently have explored convenience stores, real estate, insurance brokerages and more. Of all things, some jobbers even are rethinking a known quantity . . . TBA.

For all its risks and complexities, TBA (tires, batteries and accessories) marketing represents "a natural progression" for the jobber in need of extra money, say a variety of marketers around the country. Last year, the entire aftermarket produced some $54-billion in parts and service, according to a study by Hunter Publishing Co., parent company of *National Petroleum News*. And, this year, other reliable sources estimate the market will reach $60-billion.

Many oil jobbers, especially large ones who have geared their operations to high-volume gasoline sales, express little or no interest in TBA today. These marketers believe they can enjoy a better return on investment with fewer headaches by diversifying into such areas as convenience stores.

But things like convenience stores aren't all that easy to operate, others say, and they prefer to stick with something that traditionally has been associated with gasoline marketing.



"TBA is like a marriage," says Don Hall, manager special products for Cities Service, and former chairman of the International Oil Industry TBA Group. "You will get out of it what you put into it."

"I see many large jobberships treating TBA as 'the little bastard on the side,'" says John Prentice, TBA manager for Phillips Petroleum. "But if he chooses to get into something like C-stores, he'd better know what he's doing."

During better times for the petroleum industry, in the 1960s, the Ethyl Corp. conducted surveys which found that each car driving across a station's driveway required an average $18 in parts and service. One state oil marketer association exec estimates that today, the figure must be $80 or more.

"There is a great potential for TBA sales, but it may not be actual demand," says an Amoco and private branded jobber in Michigan. "It's really up to the jobbers and dealers to push TBA on the driveways. They have to advertise things like free safety inspections and offer things like wiper blades to generate the business."

There is somewhat of a resurgence in TBA marketing after the self-serve craze that swept the country in the 1970s, some marketers say. Where so many full-service stations closed or converted to self-serve, there is something of a void today for the jobber who is savvy enough to stave off mass merchandisers and repair specialists. But the oil/TBA jobber has a few things to consider:

- Yesteryear's 25% to 35% gross profit margin in TBA has shrunk to more like 20% to 25%, and in some cases lower.
- The TBA/aftermarket is a highly fragmented business. Specialists and volume distributors—especially of tires and batteries—have made great strides in market share during the past two decades.
- TBA products move not only on price, but also on quality and service, successful jobbers in the aftermarket emphasize. The old adage, "quality sells," rings true for TBA.
- For everything in TBA, the name of the game is turns, turns, turns. An oil jobber does not think of his gasoline inventory in terms of turnover. (It likely turns more than 100 times a year.) With TBA, however, turnover is one of the prime concerns. If a marketer is not turning his inventory four times a year, he is not liquid enough.
- The independent marketer who has beaten major companies with his gasoline prices on the street can and should apply his "local advantage" to his TBA marketing practices.
- The oil jobber active in TBA as a means of ancillary income has to be willing and able to sell to anything that moves. Volume in this business can be very rewarding.

Filling Market Voids

"As the big oil companies slow down on TBA, we're picking up that stuff," says Harold Jones, president of C.N. Brown Oil Co., South Paris, Maine. Aside from growing ninefold in his motor fuels business to an annual 84-million gal., Jones also has brought up his TBA business from $67,000 in sales in 1972 to an estimated $2.5-million in sales this year.

Jones says one of his secrets is capturing the business of lots of small outlets. "There are a lot of 'Mom and Pop' stations out there and we keep picking them up and taking care of them."

C.N. Brown Oil serves a total of 198 stations of all kinds and manages to turn over some $500,000 in TBA inventory about five times a year—a good rate for jobbers large or small.

Jobbers can go to school on what Citgo began doing in the early 1970s. To the rancor of some of its dealers (and to the envy of some of its major competitors), Citgo began soliciting and selling its TBA and motor oil products directly to the mass merchandisers.

Today, Citgo sells national brands—Firestone and Goodyear tires, AC Delco batteries and Monroe shock absorbers—to jobbers, dealers, auto parts stores, mass merchants and even other branded distributors, says TBA manager Hall. Since Citgo broke the ice publicly with its varied distribution channel, several other major companies have quietly followed suit.

The oil/TBA jobber often does not enjoy the 30% gross margin for his TBA that he once did. But when was the last time an oil jobber made even 15% on his gasoline?

And, future prospects for gasoline margins remain dim by comparison. The gasoline market's annual demand growth is projected at little more than 1.5%, says Amoco Oil. However, TBA sales are expected to grow at an annual 3.6% rate over the next five years, according to figures supplied by the Automotive Market Research Council.

A wide-ranging oil/TBA jobber study published last April by Hunter Publishing shows that six out of 10 marketers surveyed handled one or more TBA lines. One-fifth of that sub-group carried roughly a dozen lines.

'T' of TBA Most Risky

The tire market has changed significantly in recent years—and not simply because more tiny tires are rolling down the street.

Tires can be the most volatile class of TBA. At one time, its distributors enjoyed outlandish margins. But the steady market share gains of tire dealers and the rise of downsized and imported cars have put some pressure on tire marketers to perform.

Some of the old, lucrative ways of tire marketing were nothing short of seductive. A former Exxon sales rep describes how in the late 1960s and early 1970s the company's first-line Atlas brand tire produced tremendous profits every step along the channel. Exxon purchased the tires from the rubber company at about $8 per tire and resold them to dealers for $22, he says. Then, Exxon recommended that dealers retail them at $32.95.

"Exxon was too greedy," argues the former sales rep. "They jacked up the prices of other TBA items in a similar fashion and just opened the gates wide for the discount houses and such to take the business away from them.

"But in those days, everybody in oil marketing thought 'fat margins' on TBA. And, they killed off their dealer organizations by the way they priced TBA to them."

In part due to such methods, the service station share of the tire market has shrunk steadily about 1% a year in recent years. According to *Modern Tire Dealer*, the service station share in 1981 declined to 11%. Tire dealers, on the other hand, have boosted their market share from 45% in 1979 to 51% last year. The main reason: Perhaps more than any other business, tires are a volume business.

The Pacesetters

Direct Sales Tire Co., Denver, is a widely known distributor in markets from the Rockies to the Texas panhandle. It recorded $26-million in tire sales last year and a 15% to 16% increase in unit sales is anticipated this year, says vice president Dennis Deckard. Marketing through 43 tire stores in six states, Direct Sales Tire promotes major brand tires at 20% to 25% discounts.

Capitol Group, a California-based tire distributor in five Mid-Continent states and Colorado, boasts more than 70 locations. It has tied in with MasterCard/VISA cardholder mailing material that promotes savings of $10 to $30 per tire.

Chem Oil & Tire Co., Las Vegas, is about as diversified as a TBA/oil jobbership can be. The multi-branded company handles "many millions of dollars" of mostly wholesale business in TBA, chemicals, petroleum and equipment, says president Cort Bishop Jr. His company used to sell more tires than the $100,000 worth he currently sells. But direct competition from rubber companies has hurt.

"The competition has gotten bigger, and we've gotten smaller. Goodyear and [B.F.] Goodrich are bidding the big stuff direct, and making maybe a 5% commission on it," he says. "For example, a prime contractor for the government at the Nevada Test Site just had a $600,000 bid for tires and tubes. I got $70,000 of it. I was competing against Goodyear and

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B.F. Goodrich direct," he says.

As if direct manufacturer competition on tire sales isn't enough, one rubber company has even gotten into the full-blown aftermarket service business.

Firestone Tire & Rubber last year unleashed a showroom-to-scrapyard car care program. It bills its MasterCare program as "the largest single investment ever made in the United States for an automotive aftermarket program." One Wall Street market analyst says Firestone anticipates $1.5-billion in sales by 1987.

Mass Merchants Destructible

The battery market also is prone to specialization. Here, the mass merchandiser's share of market has held steady at around one-third the industry's level of total sales. But the so-called battery specialist is the one continuing to grab market share.

According to data from Battery Council International, gasoline and oil marketers' share of the battery market has slipped from 8.7% in 1978 to 5.9% last year. The mass merchandiser—department and discount stores, plus auto chains—is off from 34.9% to 33.4% last year. The battery specialist, however, has grown from just 18% in 1978 to 27% last year.

Mass merchandisers themselves have expanded into the full-service business. K-Mart, for instance, launched its K Care program in 1981 with some 1,700 locations. Although the nation's second largest retailer has cut back more than 300 of those auto service centers since then, each one still does brake work and tuneups. And, oil/TBA jobbers feel a constant competitive pressure on prices from such mass merchants—appealing as they do to a consumer who is drummed by the recession into price-consciousness.

One central California jobber fingers mass merchants as the culprits who drove him out of TBA. They also drove Mobil out of TBA and seduced California independent Beacon Oil into the arms of the big tire and chain stores and away from jobbers, he says.

Lee Atwater Jr., a Stockton-based dual-branded Mobil and Beacon jobber, says he had an almost captive TBA market running from Fresno to Sacramento—some 150 miles' distance—and he still couldn't make a go of it in TBA.

"With Mobil, it was the competitive pressures from the mass merchandisers," says Atwater. "Through the San Joaquin Valley, every town has two or three of them. In Stockton, we have five petroleum [sub] jobbers, and I don't think any one of them carries TBA."

Oil Jobbers Have a Market

Most TBA executives in major oil companies contacted by *NPN*, however, say that on balance, jobbers' and mass merchants' product lines don't overlap severely enough to spell the demise of the oil jobbers' TBA business.

Chevron markets through company warehouses on the West Coast, but markets east of the Rockies through its TBA jobbers and some oil/TBA jobbers. TBA supervisor Mike Mavrakis says any failure of the oil/TBA jobber at the feet of the mass merchandiser is much exaggerated.

"If you say the mass merchandiser is pushing the jobber out, I don't know how the hell they're doing that. I think you're looking at two different classes of trade," says Mavrakis. "Normally, that jobber is serving retail outlets. He could also be going after some of the commercial trade. But I don't think those customers are buying from the mass merchandiser," he says.

The factor most often cited by industry experts as the reason for optimism in the TBA business is that Americans are holding onto their cars longer.

In 1972, the average car on the road was 5.5 years old. Today, the average car is seven years old, according to a nationwide poll by Opinion Research Corp. That very fact has helped sustain steady TBA market

Service Station TBA Profile

Competitive as ever, the car repair business represents an enduring enterprise for the outlet with the right service mix. And, according to a recently released study, service stations are encountering more work per outlet.

Repair and service dollar volume at the average full-service station reached a new high in 1981, as the number of these outlets fell to a new low. Dollar volumes on sales of parts, accessories and labor at retail were $108,700 in 1981, up 33% from $81,700 in 1978, the study reveals.

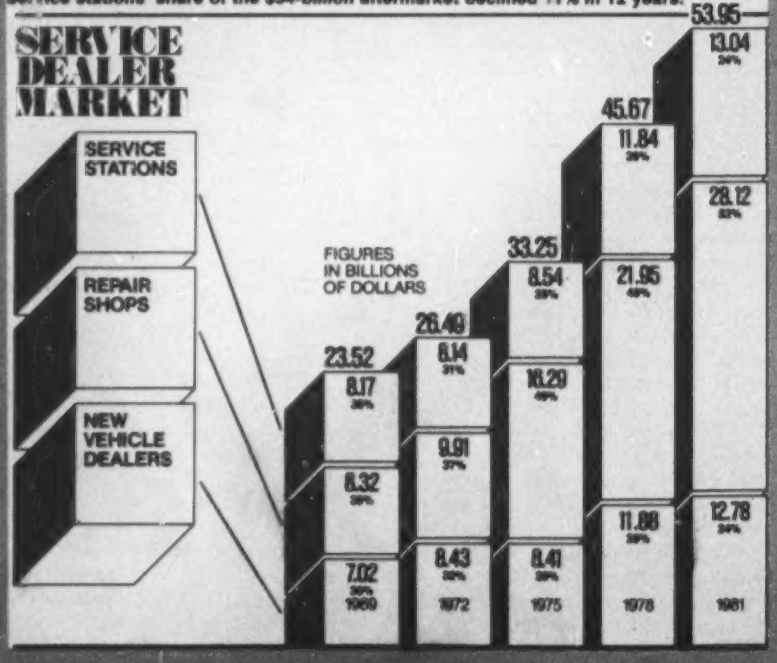
According to Hunter Publishing Co.'s triennial *Service Job Analysis (SJA)*, full-service outlets were projected to number 120,000 in 1981. That level is down from a total 145,000 in 1978, the last *SJA* survey period. The study defines full-service stations as having service bays and at least one full-time mechanic per station.

The 1981 *SJA*, recently compiled and released, is the sixth in a series of comprehensive analyses of the traditional automotive aftermarket. It was produced by Hunter Publishing with the aid of an independent market research firm (Great Lakes Marketing Associates). The study also was based upon Hunter's "micro-market" research panel—a national aftermarket panel comprising nearly 5,000 representative members of the traditional automotive service industry.

Besides the estimated 120,000 service stations, data is presented for 136,000 repair shops, 28,000 car/truck service departments and 39,000 fleet repair locations. According to the 1981 and prior *SJA* studies, service station repair receipts have jumped an average 110% since 1975, and 159% since pre-embargo 1972. Among findings of the latest study:

- The total traditional dealer service market in 1981 (including service stations, new car dealers, independent repair shops, and self-service fleets) accounted

Service stations' share of the $54-billion aftermarket declined 11% in 12 years.



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growth in the face of sluggish oil product consumption. And, older cars in need of more service is a phenomenon that has not missed the attention of major oil marketers.

Oil Company Programs

Shell Oil may have sensed some sort of repair business renaissance when it launched in 1977 its Auto Care Center program. Currently, the company has 1,950 centers, comprising about one-third of its branded service station population in the country.

Primarily a "skimmed" product line program, Auto Care has evolved from a system of Shell warehouses to a mostly direct-ship program, says Bob Myrick, manager packaged products, retail gasoline center. A very small percentage of Shell-branded tires, batteries and filters—no other accessories—do move through a handful of jobbers in Texas and elsewhere, a Shell spokesman says.

The Standard Oil companies' Atlas program is a full-line program for their dealers and jobbers. Atlas-brand products include tires, batteries, accessories, some remanufactured parts, and even tuneup equipment. Amoco, Chevron, Exxon and Sohio retailers are supplied product from Atlas warehouses. The program generally is considered "in a class by itself."

In addition to its Atlas program, Amoco has 150 franchised Certicare stations in five metropolitan areas. Although the number of stations has not grown as rapidly as some sources had expected, stations reportedly are doing well with their package of specialized services and warranties.

Likewise, Union Oil intends to recapture its share of the automotive aftermarket business with its Protech program. In places around San Diego, Union's plan features stations with up to six bays and mechanics certified in four services. Union also guarantees the work of its franchise dealers.

In the Miami area, Gulf's 35 Car Care Centers are running head to head with about two dozen Amoco Certicare stations. Gulf's dealer program, however, was to expand last month into Orlando, and will move into the three Mid-Atlantic states next year, says Bob Overton, general manager retail.

"There is a definite need for these services with new car sales down and people holding onto their cars longer," says Overton. "Why allow that business to go to the car dealers, when our dealers are certified to service those autos?"

Why, indeed, agrees Phillips Petroleum. When Conoco abandoned its Dynalife brand TBA products last May, Phillips stepped in to serve jobbers and direct-supplied dealers alike with the line of batteries, filters, shocks, additives, belts and hoses. Addition of the old Conoco line is expected to help boost Phillips' TBA revenues this year some 22% over last year's dollar volume, says TBA manager Prentice.

"The difference between us and Conoco is that they didn't have a central order system," he says. That, however, was just one reason Conoco got out.

Conoco's TBA Demise

Three major oil marketers in just the past two years have dropped their TBA programs. First Getty, then Mobil, in 1981. Last May, it was Conoco. And, just last month, Champlin Petroleum announced that it, too, would abandon TBA at the end of the year. All took the plunge for similar reasons.

"Originally, we felt TBA was a way to increase jobbers' and dealers' ancillary income, because they can't live by gasoline alone," explains Perry McCahill, Conoco's general manager of division operations for petroleum marketing.

But at the time Conoco got out of that business, it was running only 22% of its TBA volume through jobbers. Meanwhile, "a lot of working capital was being tied up," he says, and the company found itself supplying high volumes to parts houses and warehouse jobbers for margins lower than what Conoco had grown accustomed to.

Another source inside Conoco puts it more bluntly:

"We got volume hungry, and we just didn't watch our expenses."

Some industry analysts have speculated that DuPont, Conoco's parent since the summer of 1981, simply lopped off a segment of its stepchild's business. It was not that simple, assures McCahill, adding that Conoco had fine-penciled its costs and shuffled its sales personnel for several years to ward off what eventually happened.

"The handwriting was on the wall before DuPont ever came in," he says. "We had been evaluating TBA every year. They didn't come in here and say, 'Get out of everything that isn't making a profit.' I know that for a fact because I made the recommendation for us to get out of TBA," he says.

Getty Refining & Marketing has had even longer to reflect on its decision to jump ship. In 1981, it was the first of the three refiners to get out. One Getty exec with more than 20 years of TBA experience with the company says Getty could not justify heavy TBA expenses any longer, and failed to effectively sell its products through channels other than its retail outlets.

"We only had a limited number of dealers, and a limited number of turns per year," he says. "If we could have had the economy of deliveries in the major cities, we could have cut it."

Both Getty and Mobil cite a common major factor in giving up the TBA business: They were getting beat on the local level. Branded dealers found channels that could respond faster and cheaper than could their major oil company TBA supplier.

"We lost to the wagon jobber," says one Getty exec. "The dealer could just pick up the phone and the jobber would have a route that could give better service than we ever could."

The same local advantage applies to the oil jobber working TBA. He might do well to consider that fact.

for $54-billion in revenues, up from $23.5-billion in 1969.

- Total repair and service volume for service stations in 1981 exceeded $13-billion, the highest ever, according to *SJA* figures. Service station market share has stabilized at about a quarter (24%) of the total aftermarket business volume (down from a 35% share in 1969). Repair shops accounted for 52% of the business last year, and new car dealers, 24%.
- Of the more than 250 specific service jobs performed by repair outlets and analyzed in the *SJA*, service stations remain the aftermarket leader, or a close second, in such service categories as lube work (53.4% of all such jobs performed by traditional outlets); fuel filter replacements (32.2%); carburetor installments (new, 38.2%; rebuilt, 48.7%); batteries sold (49.8%); alternator installments (new, 41.1%; rebuilt, 42.6%); exhaust system replacements (42.6%); PVC valve installments (37.7%), and shock absorber replacements (new-front, 39.2%; new-rear, 43.3%).

But there are soft spots, too. Total lube jobs are down somewhat from previous *SJA* studies, as are engine tuneups. Undoubtedly, the decline in lube jobs reflects the automakers' extended service intervals for their new cars. The impact of electronic ignitions on the tuneup business is having a substantial influence as well. In recent years, business in such bread-and-butter categories as muffler replacements has been lost to the non-traditional discount and specialty outlets.

Survey results also seem to imply that the self-service gasoline trend has affected the volume of service and repair activity, which shows in motorists' neglect of routine car maintenance.

All in all, however, the study indicates unquestionably that automotive service and repair work for most full-service dealers offered a refreshing contrast to the gasoline market doldrums which emerged in 1981. The message from the 1981 *SJA*: fewer stations, more business per station and, by implication, better dealer management and better mechanics to meet the higher challenge.

—Don Smith